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RESEARCH ARTICLE

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How expected outcomes, stakeholders, and institutions influence corporate social responsibility at different levels of large basic needs firms

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Abstract

A firm's choice to practice corporate social responsibility (CSR) is commonly explained using insights from institutional theory or stakeholder management. However, we do not know how important external pressures are at the executive level and individual manager level in a firm's choice to engage in particular CSR activities. Nor do we know how important these external pressures are in comparison with other attributes of CSR activities that can influence this choice, such as costs or expected returns of an activity. Finally, we do not know whether all firms respond in the same way to these influences. Hence, we ask the following: *How do the outcomes and pressures for a CSR activity influence the choice of that particular activity by different classes of large basic needs industry firms?* Using a choice experiment, we study the CSR activities of 402 firms in the energy, packaged foods, and pharmaceutical industries. We demonstrate that expected outcomes, rather than institutions or stakeholders, drive the choice of an activity. Firms invest differing amounts of funds into a particular activity. Although institutions and stakeholders explain the overall CSR strategy of the firm, they do not explain their choices for specific activities.

KEYWORDS

corporate social responsibility, discrete choice, institutional theory, large firms, stakeholder management, sustainable business

1 | INTRODUCTION

Large firms can have disruptive effects on society (Geels & Schot, 2007; Van Mossel, Van Rijnsoever, & Hekkert, 2017), particularly when these firms operate in industries that are influential, necessary, and impossible to avoid, such as the energy, food, or pharmaceutical industries. Such firms provide for basic human needs but are regularly accused of placing their own interests above those of the public. For example, the food industry has a history of lobbying for favorable regulations and influencing official nutritional standards and recommendations, using information obtained through industry-funded research (Kearns, Schmidt, & Glantz, 2016). Similarly, the pharmaceutical industry has, for many years, successfully lobbied against regulations that would prevent it from influencing physicians' drug choices for their patients (Fields, 2013) and has been accused of overpricing much-needed medications (Kantarjian, Fojo, Mathisen, & Zwelling, 2013; Vogler & Vitry, 2016). Finally, the oil (energy) lobby has continuously worked to shake public confidence in climate science and continues to push to minimize government action on climate change (Frumhoff,

Heede, & Oreskes, 2015; Hamilton, 1998). However, the fact remains that these firms do sometimes choose to behave responsibly (Campbell, 2006). Corporate social responsibility (CSR) has become a buzzword for large firms (Bondy, Moon, & Matten, 2012). Many firms produce annual reports, in which they account meticulously for how they made the world a slightly better place through various CSR activities (Kolk, 2008; Shnayder, Van Rijnsoever, & Hekkert, 2015; Young & Marais, 2012).

Many studies look at why firms engage in CSR. Some focus on internal drivers (Babiak & Trendafilova, 2011; Galbreath, 2009; Windolph, Harms, & Schaltegger, 2013), such as cultural, strategic, or intrinsic motivations, but the majority of studies attribute CSR to external pressure (Aguinis & Glavas, 2014). Institutional demands (Campbell, 2007; Young & Makhija, 2014), such as regulations or norms, and complex relationships with stakeholders (Clarkson, 1995; Harrison, Bosse, & Phillips, 2010; Piacentini, MacFadyen, & Eadie, 2000), such as suppliers, customers, or special interest groups, are widely considered to play an integral role in CSR (Babiak & Trendafilova, 2011; Rana & Platts, 2008; Shnayder, Van Rijnsoever, & Hekkert, 2016).

However, despite this empirical evidence, two shortcomings in the literature need further attention. First, CSR is recognized as a multilevel phenomenon (Aguilera, Rupp, Williams, & Ganapathi, 2007; Aguinis & Glavas, 2014; Bondy et al., 2012; Clarkson, 1995). At the firm level, executives formulate corporate CSR policy, whereas CSR activities are executed at the level of individual (middle-level) managers. In addition, managers can act as social intrapreneurs through their own initiatives (Carrington, Zwick, & Neville, 2018) and can even affect (CSR) policies at the firm level by strategic maneuvering (Argento, Culasso, & Truant, 2018; Rouleau & Balogun, 2011), diligence (Powell, 2017), and efforts to institutionalize and routinize CSR (Risi & Wickert, 2017). This means that both levels interact (Radaelli & Sitton-Kent, 2016). It can also mean that the behavior of individual managers becomes decoupled from the CSR policy of the firm (Crilly, Zollo, & Hansen, 2012), although this effect seems uncommon (Graafland & Smid, 2016). A consequence of CSR operating at multiple levels is that the external pressures also operate at multiple levels. For example, stakeholders are known to negotiate at firm level and with individual CSR managers while an activity is being executed (Clarkson, 1995), and middle-level managers also help stakeholders to make sense of the strategy of the firm (Rouleau, 2005).

We do not know how important external pressures at the executive and individual manager levels are to a firm's choice to engage in a particular CSR activity (Aguilera et al., 2007). Nor do we know how important these external pressures are in comparison with other attributes of CSR activities that can influence this choice, such as costs or expected returns of an activity. This gap inhibits us from fully understanding the multilevel aspect of CSR, but this is critical knowledge for actors who wish to promote CSR activities in these difficult to regulate, basic needs industries.

The second gap in the literature is that not all firms respond in the same manner to these pressures (Crilly et al., 2012). The observed and unobserved characteristics of firms can lead to different types of behavior under the same external pressures (Greenwood, Díaz, Li, & Lorente, 2010) or other conditions (van Rijnsoever, Kempkes, & Chappin, 2017; Vermunt & Magidson, 2002). Some firms might be more susceptible to institutional pressures, whereas others are more susceptible to stakeholder influences, depending on their logics and internal structures (Crilly et al., 2012). The unobserved characteristics cannot be measured directly, but firms can be clustered into classes with similar preferences for CSR activities. These classes can explain a considerable degree of preference heterogeneity (Hensher, Rose, & Greene, 2005), which has not been explored in the context of CSR within large multinational firms, but may explain differences in activities between firms, allowing for tailor-made strategies.

To fill these gaps, we propose the following research question: *How do the outcomes and pressures for a CSR activity influence the choice of that particular activity by different classes of large basic needs industry firms?*

We use a discrete choice experiment (DCE) to answer this question. A DCE allows us to study the trade-offs that firms in one of the three aforementioned industries make when choosing to engage in a CSR activity. This method is ideal for eliciting preferences (Ben-Akiva, Morikawa, & Shiroishi, 1991; Hensher et al., 2005) and adds significantly to our understanding of how external pressures and different attributes of CSR activities influence preferences for or against these activities. Moreover, DCEs allow us to identify latent (unobserved) classes of firms that consistently make similar choices under similar conditions (Vermunt & Magidson, 2002).

In the remainder of this paper, we first discuss large basic needs industries. We then identify the attributes that we expect to influence the choice of CSR activities. In Section 4, we discuss our data collection, the DCE, and the analysis. This is followed by our results and concluding remarks.

2 | LARGE BASIC NEEDS INDUSTRIES

In this paper, when we refer to large basic needs industries, we mean the food, pharmaceutical, and energy industries. These firms provide goods or services that most people need at one point during their lifetime to survive. Such a large and reliable client base allows firms in these industries to have a tremendous impact on society (Geels & Schot, 2007; Van Mossel et al., 2017). Moreover, firms in these three particular sectors are run as private companies that operate at a global scale, with supply chains and distribution channels across the globe. These features make them difficult to regulate, which makes it all the more important to understand how these firms can be incentivized to behave more responsibly (Christmann, 2004). We discuss each industry as follows.

2.1 | The food industry

We define food industry membership as any firm that produces and markets packaged foods and any firm that identifies itself as part of the food industry supply chain. On their own, packaged food firms are large, multinational, influential, and politically connected (Brownell & Warner, 2009) and are worth about 1.6 trillion U.S. dollars (Murray, 2007). When combined, the firms in this industry and their supply chain partners are part of an influential, global, multitrillion-dollar industry (Murray, 2007), on which we are dependent as a society (Nestle, 2002). In the food industry, acquisitions occur so rapidly that most of the currently available brands operate under one of about 10 umbrella companies. For example, PepsiCo owns 22 billion-dollar

brands, such as Quaker Oats, Lipton Tea, and Starbucks ready-to-drink iced coffee beverages. Most consumers who shop in standard grocery stores are inadvertently customers of PepsiCo. In addition to being dominated by large firms, the industry itself is huge and continues to grow, increasing our dependence on its products (Murray, 2007). The packaged food industry is worth over a trillion dollars, and when the agriculture industry and others in the supply chain are included, the food industry is worth more than five times this figure. The influence of this industry on global health, the economy, and social outcomes is enormous, and as such, these firms must be held to a higher standard of responsibility (Brownell & Warner, 2009; Nestle, 2002, 2015).

2.2 | The pharmaceutical industry

We define pharmaceutical industry membership as any firm producing pharmaceuticals and any firm that identifies itself as part of the pharmaceutical industry supply chain. The pharmaceutical industry is dominated by a few large firms that supply the world with medication (Gautam & Pan, 2016; Malerba & Orsenigo, 2015). Like the food industry, the pharmaceutical industry is vast, global, and continuing to grow. This industry also enjoys annual sales that have, in recent years, crossed the trillion-dollar mark (Davis & Abraham, 2013). Unlike the food industry, many consumers are not dependent on the pharmaceutical industry on a daily basis, but most people, including vulnerable populations all over the world, are dependent on this industry at some point in their lives in crisis situations. Despite the overarching need for pharmaceuticals, the high cost of these products leads to access problems in both developed and developing countries (Moors, Cohen, & Schellekens, 2014). In this way, as in the food industry, the pharmaceutical industry has a major impact on global health, the economy, and social outcomes.

2.3 | The energy industry

We define energy industry membership as any firm involved in the production or sale of any type of energy and any firm that identifies itself as part of the energy industry supply chain. This industry may be in the throes of a transition from fossil fuels to renewable energy, as changing research and development policy continues to drive innovation (Sagar & van der Zwaan, 2006). However, it remains one of the largest industries in the world and was worth about 6 trillion dollars in 2009 (Franco, 2011). The world continues to industrialize and become more mobile, leading to an increase in global energy demand (Conti et al., 2016); our dependence on energy increases with our prosperity. Electronics such as laptops and smartphones are a growing part of our professional and personal lives: Screens are getting bigger, with sharper resolution, and computers are becoming ever more powerful. As a result, much like the food and pharmaceutical industries, the energy industry continues to grow, as does its effect on global health, the economy, and social outcomes.

3 | THEORETICAL FOUNDATION OF THE DCE

For this study, we used a DCE to model the effect that specific attributes of CSR activities have on preferences for these activities. In a questionnaire, DCEs present every respondent with a series of tasks in which they must choose between two distinct alternatives (in our case, two hypothetical CSR activities). The respondents base their choices on the values (levels) of characteristics (attributes) of each alternative. The alternatives vary over the different tasks and questionnaire versions in such a manner that the overall survey represents an orthogonal design (i.e., there is zero correlation among the attribute levels). As each choice forces the respondent to make a trade-off between alternatives and their respective attributes, the DCE reveals the utility that is attached to each individual attribute.

Although DCEs are used in a growing number of fields, their main use remains in the field of marketing (e.g., Berry, 1994; Ewing & Sarigöllü, 2000; Van Wezemael, Caputo, Nayga, Chryssochoidis, & Verbeke, 2014) and various subfields within economics (e.g., Kruk et al., 2016; Lovreglio, Borri, dell'Olio, & Ibeas, 2014). Experimental methods such as DCEs are still uncommon in the study of organizations but are gaining prominence (Aguinis & Bradley, 2014; Lefebvre et al., 2014; van Rijnsoever et al., 2017; Van Rijnsoever, Meeus, & Donders, 2012).

We opted to utilize a DCE for two main reasons. First, as the attribute levels are pregiven by the design and do not correlate with each other, DCEs allow for the independent estimation of the effect of each attribute level on choice. The predetermined levels of each attribute also eliminate potential for common method bias and offer high internal validity (Van Rijnsoever et al., 2012). Second, respondents receive multiple choice tasks during a DCE, so respondents can be classed according to similarities in their choice behavior (Vermunt & Magidson, 2002). This heterogeneity is reflected in the parameters of each attribute, which can differ across the latent classes.

3.1 | CSR and the attributes of choice

Many definitions of CSR are available in the literature (De Bakker, Groenewegen, & Den Hond, 2005; Moir, 2001; Wood, 1991), in policy documents (European Commission, 2018; OECD, 2011; United Nations, 2011), on firms' websites, and in their sustainability reports. For our study, it is important to use a definition to which executives and firms can relate while completing the DCE. Hence, we use Campbell's (2007) seminal definition of CSR, which employs two criteria: (a) knowingly doing no harm to stakeholders and (b) rectifying unknowingly done harm as soon as it is discovered. Because this definition is so broad, we are able to enjoy a high level of CSR activity inclusion. We categorize the attributes of the CSR according to the triple bottom line (3BL; Elkington, 1997). On the basis of this and on institutional theory (DiMaggio & Powell, 1983; Scott, 1995; Young & Makhija, 2014), stakeholder management (Clarkson, 1995; Freeman & McVea, 2001; Kolk & Pinkse, 2006), and the results of two qualitative studies on CSR (Shnayder et al., 2015, 2016), we selected the attributes on which firms can base their choice in the DCE.

3.2 | 3BL outcomes

The outcomes of CSR activities can be classified using Elkington's (1997) 3BL. The idea of the 3BL arose from the 1987 Brundtland Report (World Commission, 1987) and is based on the premise that companies that consider their effects on profit, people, and the planet

take into account the full cost of doing business. Attributes based on the 3BL were chosen from a large library of previous empirical work (e.g., Elkington, 1997; Nikolaou, Evangelinos, & Allan, 2013; Raar, 2002; Shnayder et al., 2015). They were also consistently identified in sustainability reports and by managers in large food industry multinationals as drivers of sustainable or responsible activities.

3.2.1 | Profit

Firms are not charities and are often financially motivated to engage in CSR (Young & Makhija, 2014). Profit is the difference between the expected cost and return of an investment, where "cost" refers to the monetary investment that a firm has to make to realize an initiative. If a firm does not have the required resources, then the activity cannot be implemented. The "return" on investment is how much of the cost is earned back. Firms that are secure in their future may be willing to take on an activity that requires multiple payments over a period of time, whereas less secure firms may prefer a single expense. The former are usually larger and more stable firms and tend to have formalized CSR policies (Perrini, Russo, & Tencati, 2007).

3.2.2 | People

This category includes activities that fall under topics such as health and well-being, safety, human rights, diversity, and equality. The "people" category is the most elaborate in the 3BL, as multinational firms have many stakeholders (Shnayder et al., 2015). On the basis of CSR reports, we distinguished consequences of firm activities for three major groups under the people category that are commonly affected by these firms: the general public, customers, and employees.

The general public is mostly affected in terms of public health issues such as infectious diseases, lifestyle diseases, chronic diseases, or any combination thereof. Products from the pharmaceutical and food industries directly influence public health. Energy companies are less closely associated with public health but do play a role in the acquisition and transportation of raw energy materials, such as oil or coal, and the combustion of these fuels into energy in the form of air pollution (Rabl & Spadaro, 2000).

The consequences for customers are important, because they determine whether customers will repeat purchases and communicate favorably with others about the product (Anderson, Fornell, & Lehmann, 1994; Blackwell, Miniard, & Engel, 2001). This effect might be weaker in some large basic needs industries, as when monopolistic firms are difficult to avoid. In the pharmaceutical industry, patients are often dependent on a single company that holds the patent for a specific drug. In economies that have not liberalized their energy markets, consumers are often dependent on one energy supplier. However, these industries are often partly publicly financed or controlled and are held accountable for their performances. Consumer dissatisfaction can lead to tighter regulations and a loss of funds (Holt, 2005).

Consequences for employees encompass the effect of the firm on employee safety, health, and satisfaction. Large multinational companies commonly employ thousands of people all over the world. Research suggests that there is a link between employee well-being and organization performance (Van De Voorde, Paauwe, & Van Veldhoven, 2012). Hence, the consequences for employees are relevant to companies in all industries.

3.2.3 | Planet

The "planet" category includes emissions, waste, recycling, and the conservation of natural resources. This category is most important to the food and energy industries, as their production methods visibly shape the natural environment; it is also of concern to the pharmaceutical industry, which produces a great deal of chemical waste (Jimenez-Gonzalez, Ponder, Broxterman, & Manley, 2011). In general, this category is the least-elaborated in CSR reports (Shnayder et al., 2015).

3.3 | Institutional pressures

According to institutional theory, firms strive for legitimacy (Oliver, 1991; Suddaby & Greenwood, 2005; Van Mossel et al., 2017; Young & Makhija, 2014), which is the "generalized perception or assumption that [their] actions [...] are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). To gain legitimacy, firms adhere to institutions, which are the elements that give stability and meaning to social life (Suchman, 1995), the organized sets of schemas, rules, norms, and routines that influence firms' behavior (Scott, 1995). The pressure that institutions place on the firm can impact all aspects of firm behavior, including CSR (Campbell, 2007; Jepperson, 1991; Jones, 1999). The size and scope of the industries in this study make them susceptible to many and varied institutions, which can exist locally, nationally, and internationally (Brownell & Warner, 2009).

3.3.1 | Legitimacy

Firms conform to institutions to gain legitimacy (Oliver, 1991; Van Mossel et al., 2017; Young & Makhija, 2014), so it may not be enough to engage in socially desirable behavior if it is not recognized as such. It is important that conforming to norms is also reflected in a firm's reputation (Philippe & Durand, 2011), or it will not lead to an increase in legitimacy. Gaining legitimacy from CSR is especially important in Anglo-Saxon countries, where firms have a larger societal role than in continental Europe (Maignan & Ralston, 2002; Vogel, 1992). Moreover, proper communication about CSR is positively related to firm performance (Testa, Miroshnychenko, Barontini, & Frey, 2018). Overall, this means that the potential for positive publicity can be an important consideration in the choice of a CSR project.

3.3.2 | Institutional pillars

The variation in institutions is captured by Scott's (1995) three pillars of institutions: regulative, normative, and cultural-cognitive. These pillars are used to categorize institutions based on their modus of influence over the firm. Regulative institutions are formal by nature and are often the outcome of a political or administrative process (North, 1990) and have punitive or other systems in place to enforce them (Scott, 1995). Regulative institutions are known to influence CSR behavior (Campbell, 2006). Examples of regulative institutions include laws, directives, and compulsory regulations that prescribe how a firm should operate certain aspects of its business, such as accounting, handling of waste materials, and employee rights.

Normative institutions refer to "the expectations of behavior that are acceptable within an institutional environment" (Wong & Boon-itt, 2008). They include norms and values that are a combination of tacit (e.g., spoken or unspoken agreements between executives) and formal (e.g., sustainability certifications) influences (Scott, 1995) and are often based on moral or ethical criteria that influence firm behavior but lack effective formal enforcement mechanisms (Campbell, 2007). Examples are voluntary industry agreements or industry standards (Shnayder et al., 2016). In the context of CSR, normative institutions received relatively little attention, but there is evidence that they affect CSR (Blasco & Zølner, 2010; Campbell, 2006).

Cultural-cognitive institutions emphasize interactions between stimuli from the external world and how the individual interprets these stimuli (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Firms thus display behaviors that they believe to be legitimate, such as adhering to well-established routines or habits that have been taken for granted over the years (Scott, 1995) or imitating other firms that they regard as legitimate (Galaskiewicz & Wasserman, 1989; Van Mossel et al., 2017).

Note that these pillars are interrelated and that institutions in one pillar may reinforce institutions in another (Oliver, 1991; Scott, 1995), but our experimental design allows us to treat them separately.

3.4 | Stakeholder pressures

Stakeholder management is the process of forming and maintaining relationships with stakeholders. As a result of their enormous size and, often, the expectation of growth associated with large multinational firms (Murray, 2007), the industries in this study are intertwined with many stakeholders. Customers are dispersed across borders; plants and factories operate in many communities; supply chain partners are many; and staff are diverse, making stakeholder management extremely complex. Stakeholders are defined by Freeman (1984, p. 46) as "groups or individuals who can have effects on, or are affected by, the objectives of an organization." Categories of stakeholders include customers, shareholders, suppliers, governments, nongovernmental organizations, and the communities in which firms operate (Clarkson, 1995; Freeman & McVea, 2001). In the literature, stakeholders are seen as a major driver of CSR (Clarkson, 1995; Doh & Guay, 2006; Jamali, 2008; Littlewood, Decelis, Hillenbrand, & Holt, 2018; Shnayder et al., 2016). Each stakeholder can initiate corporate change in its own way. Employees can strike, shareholders can sell their shares, customers can take their business elsewhere, and suppliers can find new clients. Some stakeholders experience the effects of particular CSR activities directly, whereas others do not, which can motivate them to promote such an activity or not. The literature has shown that stakeholders interact with executives at the firm level, but also with individual (middle-level) managers during CSR projects (Clarkson, 1995). For example, they help stakeholders, especially customers, make sense of the policy of the firm (Rouleau, 2005).

3.5 | Core firm-behavioral change

It is generally agreed in organizational science literature that some organizations implement superficial changes to improve their image or legitimacy, whereas their core behavior remains unchanged (Hannan & Freeman, 1989; Van Mossel et al., 2017). In line with this theory, previous empirical findings show that firms may be hesitant to engage in CSR if it requires core behavioral change on the part of the firm or its supply chain partners (Shnayder et al., 2015). Core firm behavior is any behavior that is related to production or business practices, such as product design, production processes, or external search. These processes are often heavily routinized and hence difficult and risky to change (Becker, 2004; Betsch, Haberstroh, Molter, & Glöckner, 2004). Earlier work shows that, based on sustainability reporting, firms seem to engage in more activities that are parallel to core firm behavior and as such do not require core firm behavioral change (Shnayder et al., 2015).

3.6 | Preference heterogeneity

As argued in Section 1, we expect heterogeneity in firms' preferred CSR activities, which can be explained by observed and unobserved characteristics of the firm. The first set of observed characteristics that can explain their choices are the resources the firm has available for, or is willing to invest in, CSR activities. For this reason, we include company finance data: the firm's annual pre-tax earnings and its annual CSR budget. Second, given the multilevel nature of CSR (Aguilera et al., 2007; Aguinis & Glavas, 2014; Bondy et al., 2012; Clarkson, 1995), we consider the perceived susceptibility of a firm to pressures from the three institutional pillars (Scott, 1995) and different stakeholders at the executive level as possible explanations for heterogeneity among managers involved in CSR activities. Finally, as CSR practices are known to differ by country (Chen & Bouvain, 2009; Wanderley, Lucian, Farache, & de Sousa Filho, 2008) and industry (Lock & Seele, 2015), we take these variables into account.

Firms' preferences can also be explained by sources of heterogeneity that are unobserved but can be inferred from its choice behavior (van Rijnsoever et al., 2017; Vermunt & Magidson, 2002). Based on the firms' choices, they can be clustered into latent classes with similar preferences for a particular CSR activity. Such latent classes often explain a large amount of preference heterogeneity (Hensher et al., 2005). The observed characteristics can be used to describe these latent classes.

4 | EMPIRICAL METHODS

4.1 | Sample and data collection

Our data were collected from the business-to-business panel of Research Now, an online sampling and data collection agency. To be included in this study, firms had to be stable and profitable, with annual pre-tax earnings of at least $5 million. Moreover, they had to be part of the three industries that are the focus of this study. Respondents qualified to participate by filling out a number of screening questions (Appendix A).

In total, 402 firms met the qualification criteria and were included in the sample. We collected data from respondents based in either the United States (71.6%) or the United Kingdom (28.4%). Both countries are seen as liberal market economies with many institutional

similarities (Hall & Soskice, 2001), and our results are thus mainly applicable to this type of economy. Differences between the United States and the United Kingdom have been noted with regard to CSR (Aguilera, Williams, Conley, & Rupp, 2006), but these differences are smaller than those between the United States and continental Europe (Maignan & Ralston, 2002).

As with all surveys administered within firms, we sampled with caution as we are reliant on individual respondents to speak on the firm's behalf (Van Rijnsoever et al., 2012). We chose high-ranking respondents who are influential in the CSR decision making within their firms. We asked the respondents to answer on behalf of their firms and not based on individual antecedents of CSR such as ethical, relational, or instrumental motives (Aguilera et al., 2007). Our sample consists of middle-level managers (47.5%), upper-level managers (29.9%), and executives (22.6%) from the food (44.5%), pharmaceutical (24.6%), and energy industries (33.8%).

Of the respondents, 69.9% were male, and 30.1% were female. One third of the respondents were between 45 and 54 years of age. Only five respondents (1.2%) were younger than 24 years of age, and only 10 respondents (2.5%) were older than 65 years of age. Most of the sample (76.6%) had been employed by their current firm for between 1 and 20 years, with the most common category being 1–5 years (31.3%). Of the firms represented in this study, 69.4% are between 11 and 100 years of age, with about a quarter (26.6%) in the category of 26–50 years of age. Only three firms—a scant 0.8%—were younger than 1 year old. This is likely due, at least in part, to the fact that representatives of firms with annual pre-tax earnings of under $5 million were not eligible to fill out the questionnaire.

4.2 | Experimental procedure and operationalization

After answering the screening questions, respondents were asked to imagine that they could choose between two CSR activities to implement for their firms (see Appendix B). Next, each respondent was shown a table that explained the attributes of the projects and was asked to complete 12 choice tasks. Each choice task contained two

Given the following conditions, which of the following CSR initiatives would your firm choose to implement over the other? Please check the box below your chosen initiative description. Then, read the statement below EACH choice and check the box below the statement if you agree.

ATTRIBUTES	CHOICE 1	CHOICE 2
Cost *(as a percent of firm's pre-tax annual earnings)*	$50,000	$17,500,000
Cost *(type)*	Annual cost	One-time cost
Return on investment	Positive returns after 5 years	Positive returns after 5 years
Potential for positive publicity and marketing usability	Low	Low
Effect on environment	Negative	None
Effect on public health	Unknown	Unknown
Effect on customer satisfaction	Positive	Unknown
Effect on employee well-being	None	Positive
Stakeholder pressure to pursue this initiative from	Shareholders	Communities in which the firm operates
Other pressures from your firms' surroundings to pursue this initiative	Others in the industry have adopted similar initiatives	Legally mandated, in part or in full
Requires major changes to your firm's production or business processes, or those of your supply chain partner(s)	Yes	Yes

Which initiative would your firm be more likely to implement? *Please select just one of the two options.*	☐	☐
Which of these initiatives would your firm consider implementing in a practical setting? *Please feel free to select both options, one option, or no options*	☐	☐

FIGURE 1 Sample choice task

TABLE 1 Attributes and levels

Category	Attributes	Description (where needed)	Levels
Triple bottom line	Cost	Cost as a percent of your firm's pre-tax earnings for the year.	0.01% 0.033% 0.066% 0.100% 0.333% 0.666% 1.000% 2.000%
	Cost type		One-time cost Annual cost (5-year commitment)
	Expected return on investment		Positive financial returns after 5 years Negative financial returns after 5 years Zero or neutral returns after 5 years Uncertain or difficult to calculate
	Effect on environment	This specifically refers to the effect on the natural environment.	Positive Negative None Unknown
	Effect on public health	This specifically refers to the effect on the entire range of public health issues. This can include infectious diseases, lifestyle diseases, chronic diseases, or any combination thereof.	Positive Negative None Unknown
	Effect on customer satisfaction		Positive Negative None Unknown
	Effect on employee well-being	This specifically refers to the effect on employee safety, health, and satisfaction.	Positive Negative None Unknown
Stakeholders	Pressure to pursue this initiative from	This specifically refers to stakeholders—groups or individuals that can affect the firm or be affected by the firm.	Employees Shareholders Customers Suppliers Governments (at any level) Communities in which the firm operates Media or special interest groups No pressure from stakeholders
Institutions	Other pressures from your firm's corporate environment to pursue this initiative	This specifically refers to any laws, agreements, or social pressures, to which your firm is subject.	Legally mandated, in part or in full In compliance with normative standards (e.g., industry agreements or certification criteria) Others in the industry have adopted similar initiatives None
	Expected potential for positive publicity	Your firm's perception of potential for positive public visibility or marketing.	High Low
Core firm behavioral change	Requires major changes to your firm's production or business processes, or those of your supply chain partner(s)	Here, our aim is to distinguish between initiatives that the firm does on the side in addition to normal business activities, and initiatives that require the firm to make changes to normal business activities.	Yes No

hypothetical CSR activities with attributes from the table. A sample choice task can be found in Figure 1.

For each choice task, the respondents were asked two questions: (a) "Which initiative would your firm be more likely to implement?" and (b) "Which of these initiatives would your firm consider implementing in a practical setting?" The difference between the two questions is that the first forces the respondent to make a choice, whereas the second gives the respondent the option to choose neither, one, or both. However, after analyzing our data, we discovered that both questions resulted in nearly identical results. For this reason, we focused on the first question. As such, we were able to model the trade-offs that respondents made when choosing CSR initiatives, and

it allowed us to see how the respondents would behave when given the opportunity to optimize their choices. In the event that a respondent wanted to recall the attributes table, each choice task contained a link to the table. To minimize correlations between the attribute levels, the levels of the attributes varied over the choice tasks according to an orthogonal experimental design. Table 1 gives the operationalization of the attributes in the choice tasks and their levels.

4.2.1 | 3BL outcomes

To represent the costs of a project, we chose levels based on the percentage of a firm's pre-tax earnings committed to CSR projects. These numbers ranged from 0.01% to 2%, as derived from the firms' annual CSR reports. Using the pre-tax earnings, the costs were represented in the currency of the respondent's country. As levels, cost type could be one-time cost or annual cost, which we limited to a 5-year commitment. The expected returns on investment were also given a time window of 5 years and could be positive, negative, neutral, or uncertain. The levels of people and planet attributes were positive, negative, none, or unknown.

4.2.2 | Institutional pressures

We argued above that firms only gain legitimacy from a CSR project if the external environment is aware that the project is taking place, particularly in the Anglo-Saxon setting (Maignan & Ralston, 2002). Hence, we operationalized legitimacy as "Expected potential for positive publicity." Further, because "institution" might seem a rather abstract word to respondents, we decided to label the pillars (Scott, 1995) as "Other pressures from your firm's corporate environment to pursue this initiative." However, all three pillars consist of multiple elements: For example, the cultural-cognitive pillar entails both habits and the imitation of other firms. To keep the experimental design manageable, we selected the element from each pillar that would be comprehensible and relevant to respondents and thus most likely to influence CSR choices. Regulative institutions were called "Legal mandated, in part or full," which addresses the regulative aspect of institutions. Normative institutions were operationalized as "In compliance with normative standards (e.g. industry agreements or certification criteria)," which refers to the more formal aspect of normative institutions, which are quite common in industry (Bressers & De Bruijn, 2005; Price, 2005). As we are interested in the influence of external pressures on CSR choices, we refer to the cultural-cognitive pillar as "Others in the industry have adopted similar initiatives" to identify instances of imitation of other firms.

4.2.3 | Stakeholder pressures

To operationalize pressure from stakeholders, we used Clarkson's (1995) classification: no pressure, employees, shareholders, customers, suppliers, governments, communities in which the firm operates, and media or special interest groups.

4.2.4 | Core firm-behavioral change

We operationalized this as "Requires major changes to the firm's production or business processes to pursue the initiative," with yes or no as its levels.

4.3 | Measurement of observed characteristics

After completing the choice tasks, the respondents were asked to answer additional questions on the characteristics of their firm and the respondents' perceptions of the firm's susceptibility to the influence of institutions and stakeholders. These questions helped to profile the firms and the respondents in the latent classes and link them to institutional theory and stakeholder management. Table 2 gives the descriptive statistics and correlations of these variables.

4.3.1 | Company finance

We controlled for financial ability and willingness to participate in CSR with two variables: *annual pre-tax earnings* and *annual CSR budget*. Annual pre-tax earnings are defined as earnings after operating expenses but before taxes. We prefer a measure of income that excludes taxes because it allows us to compare firms across locations in which corporate taxes differ. In the survey, respondents were asked to choose a range of values that best represented their pre-tax earnings (Appendix A) and CSR budgets (Appendix C) using a multiple-choice format. The median value of annual pre-tax earnings is $500 million to $1 billion. A total of 61 respondents (15.1%) indicated that they had no idea what their firms' annual CSR budget was. We obtained these missing values using multiple imputation (Rubin, 2004) with the categorical imputation function of the MICE package in the R program (Buuren & Groothuis-Oudshoorn, 2011). On the basis of the other values from the survey, we estimated imputed values for 25 different data sets and used the median value of these imputations as the final value in our data set. The median value of annual CSR budget is $5 million to $10 million. This value did not change due to the imputation.

4.3.2 | Institutions

Institutions corresponds to the firm's susceptibility to pressure from the three institutional pillars: regulative, normative, and cultural-cognitive (Scott, 1995). The variables are based on five Likert scale questions (Appendix C). *Regulative institutions* is the mean of the first two Likert scale questions (mean: 3.27, standard deviation: 0.60). *Normative institutions* is measured as the sole third Likert scale question (mean: 3.73, standard deviation: 0.99). *Cultural-cognitive institutions* is calculated as the mean of the fourth and fifth Likert scale questions (mean: 3.77, standard deviation: 0.78).

4.3.3 | Stakeholders

Stakeholders corresponds to the firm's susceptibility to pressure from stakeholders. We used 5-point scale questions (Appendix C) to measure the perceived influence of each stakeholder group identified by Clarkson (1995): shareholders (mean: 3.55, standard deviation: 1.18), customers (mean 4.02, standard deviation: 0.92), suppliers (mean: 3.32, standard deviation: 1.07), governments (mean: 3.54, standard deviation: 1.07), communities (mean: 3.56, standard deviation: 1.03), and media or special interest groups (mean: 3.01, standard deviation: 1.09).

TABLE 2 Descriptive statistics and correlations of observed characteristics

Variable category	Variable no.	Firm characteristic	Centrality measure	Value	Standard Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Country	1	United States		71.6%															
Industry	2	Food industry		44.5%		−0.14													
	3	Pharmaceutical industry		24.6%		0.09	−0.45												
	4	Energy industry		33.8%		0.04	−0.59	−0.36											
Susceptibility to institutional pressures	5	Regulative	Mean (SD)	3.27	0.60	−0.01	0.05	−0.06	−0.03										
	6	Normative	Mean (SD)	3.74	0.99	0.00	−0.08	−0.02	0.09	0.05									
	7	Cultural-cognitive	Mean (SD)	3.77	0.78	−0.04	−0.01	0.01	0.00	0.17	0.55								
Susceptibility to stakeholder pressures	8	Shareholders	Mean (SD)	3.55	1.18	0.03	−0.01	−0.09	0.08	−0.12	0.28	0.33							
	9	Customers	Mean (SD)	4.02	0.92	0.00	0.02	−0.04	−0.01	0.20	0.30	0.42	0.25						
	10	Suppliers	Mean (SD)	3.32	1.07	−0.04	0.06	−0.14	0.06	−0.07	0.35	0.31	0.36	0.37					
	11	Governments	Mean (SD)	3.54	1.06	0.00	−0.16	0.06	0.13	0.02	0.31	0.26	0.30	0.20	0.26				
	12	Communities	Mean (SD)	3.56	1.03	0.03	0.00	−0.02	0.03	0.00	0.32	0.28	0.32	0.38	0.44	0.34			
	13	Media or interest groups	Mean (SD)	3.01	1.09	−0.09	0.01	0.05	−0.05	−0.06	0.26	0.29	0.38	0.22	0.39	0.42	0.49		
Company finance	14	Annual pre-tax earnings	Median	$500 million–$1 billion		0.02	−0.15	0.21	0.00	−0.06	0.25	0.14	0.13	0.03	−0.02	0.20	0.14	0.13	
	15	Annual CSR budget	Median	$5 million–$10 million		−0.02	−0.10	0.05	0.06	−0.14	0.17	0.10	0.13	0.02	0.17	0.21	0.19	0.28	0.45

4.3.4 | Country

Country indicates the home base of the respondent: either the United States, with 71.6% of the respondents, or the United Kingdom, with 28.4% of the respondents.

4.3.5 | Industry

Industry indicates the involvement in each of the three sectors included in our study: the food industry (44.5%), pharmaceutical industry (24.6%), and energy industry (33.8%). There is very little overlap between the three industries, with only 10 cases of a firm participating in more than one industry.

4.4 | Analysis

We fitted a latent class model using Latent Gold software, which is designed specifically for the analysis of choice data. Latent class models capture heterogeneity by assigning firms with similar preferences to the same group and thereby allow us to estimate the relative importance of motivations for CSR for different groups of firms. With regard to latent class analysis, Latent Gold has been shown to outperform other software (Haughton, Legrand, & Woolford, 2009).

The dependent variable in the first model is the choice made by the respondent when he or she is asked to identify his or her preference between two potential CSR activities (see Figure 1). The choice was predicted by the levels of 12 attributes and the alternative specific constant. Whether an alternative is presented as the left or the right alternative in the choice task matters (Hensher et al., 2005). An alternative specific constant controls for this.

The model identified the latent classes of firms based on similar choices made under similar conditions (Vermunt & Magidson, 2005). We explored models with different numbers of latent classes, varying from one to five. We also explored the class dependence of different attributes in different model alternatives. This means that we considered that for some attributes, preferences may vary across classes, whereas preferences for others may be more homogenous and may not have significant variations across variables. We chose the model with the lowest Bayesian information criterion (BIC) as the one with the optimal number of latent classes (Schwarz, 1978). The BIC is a valuable heuristic because it favors parsimony by penalizing the inclusion of additional parameters and is commonly used in this manner to determine the number of latent classes (Greene & Hensher, 2003; Nylund, Asparouhov, & Muthén, 2007; Roeder, Lynch, & Nagin, 1999).

We also included scale classes in the model to account for respondents making choices with varying levels of consistency. The importance of accounting for this difference in minimizing bias in model estimates is highlighted by Magidson and Vermunt (2007). The respondents were clustered into different scale classes with other respondents of similar levels of consistency in the choice patterns. As with latent classes, the BIC was used to choose the best-fitting number of scale classes.

Once the choice models were fitted, we estimated a multinomial logistic regression (MNL) model with class membership as the dependent variable and the firm level covariates as the independent variables. This allowed us to better understand the choices

made by the latent classes and to link CSR activity choices to firm characteristics.

5 | RESULTS

The descriptive statistics show that, in general, the most important institutional pressures to engage in CSR are normative (mean: 3.77 out of 5) and cultural-cognitive institutions (mean: 3.77 out of 5). The most important stakeholders are customers (mean: 4.02 out of 5), and media or special interest groups are perceived to be the least important (mean: 3.01 out of 5). A notable correlation from Table 2 is that the size of the CSR budget is quite strongly related (r = 0.45) to annual pre-tax earnings.

Table 3 shows the results of the latent class analysis. The Wald χ^2 value represents attribute importance. The Wald χ^2(=) value represents attribute difference between classes.

The best-fitting model, according to the BIC, was one with three latent classes and two scale classes. The McFadden R^2 for this model is 0.29—a good fit in the context of a choice model (Hensher et al., 2005). Class 1 is the largest class, with 253 respondents, followed by Class 2 with 81 respondents and Class 3 with 68 respondents.

To check if the multilevel aspect of CSR influenced our results, we tested if management level had any influence on class

TABLE 3 Latent class model

Category	Attribute	Wald χ^2	Level	Class independent estimates		
Triple bottom line	Cost type	0.09	One-time cost	0.00		
			Annual cost (5-year commitment)	−0.00		
	Expected return on investment	38.31**	Positive financial returns after 5 years	0.16**		
			Negative financial returns after 5 years	−0.15**		
			Zero or neutral returns after 5 years	0.03		
			Uncertain or difficult to calculate	−0.03		
	Effect on public health	31.09**	Positive	0.14**		
			Negative	−0.19**		
			None	0.04		
			Unknown	0.02		
	Effect on customer satisfaction	26.96**	Positive	0.12**		
			Negative	−0.14**		
			None	0.03		
			Unknown	−0.01		
	Effect on employee well-being	13.51**	Positive	0.06*		
			Negative	−0.12**		
			None	−0.01		
			Unknown	0.07		
	Effect on the environment	43.83**	Positive	0.21**		
			Negative	−0.14**		
			None	0.03		
			Unknown	−0.09*		
Stakeholders	Pressure to pursue this initiative from	5.53	Employees	0.06		
			Shareholders	−0.08		
			Customers	−0.01		
			Suppliers	0.07		
			Governments (at any level)	0.01		
			Communities in which the firm operates	0.00		
			Media or special interest groups	−0.01		
			No pressure from stakeholders	−0.04		
Institutions	Legitimacy	1.07	High	0.02		
			Low	−0.02		
	Institutional pillars	6.00	Legally mandated, in part or in full	0.03		
			In compliance with normative standards (e.g., industry agreements or certification criteria)	0.04		
			Others in the industry have adopted similar initiatives	−0.00		
			None	−0.07*		
Core firm behavioral change	Requires major changes	0.98	Yes	−0.02		
			No	0.02		
				Class 1 estimate	Class 2 estimate	Class 3 estimate
	Cost	54.48**, χ^2(=): 53.78**	*Continuous*	−0.03**	−0.53**	0.04
	ASC	87.71**, χ^2(=): 87.32**		0.00	−0.36**	−1.12**
	McFadden R^2	0.29				

Note. Wald χ^2 indicates the attribute's importance, χ^2(=) tests the attribute's difference between classes. ASC: alternative specific constant.
*p < 0.05. **p < 0.01.

TABLE 4 Multinomial logistic regression results

Variable category	Firm characteristic	Class 1 Estimate	Class 1 Sig.	Class 2 Estimate	Class 2 Sig.	Class 3 Estimate	Class 3 Sig.	Wald χ^2	Wald Sig.
Intercept		−1.08		0.46		0.61		1.79	
Company finance	Annual pre-tax earnings	0.01		0.01		−0.02		0.16	
	Annual CSR budget	0.06		−0.15	**	0.08		6.91	*
Susceptibility to institutional pressures	Regulative	0.17		−0.00		−0.17		1.86	
	Normative	0.04		−0.29	*	0.24	†	6.17	*
	Cultural-cognitive	0.15		0.18		−0.32	*	3.96	
Susceptibility to stakeholder pressures	Shareholders	0.21	**	−0.04		−0.18	†	8.30	*
	Customers	−0.08		0.07		0.02		0.86	
	Suppliers	−0.15	†	0.09		0.06		3.08	
	Governments (at any level)	0.08		0.05		−0.14		1.67	
	Communities in which the firm operates	0.18	†	−0.01		−0.16		3.72	
	Media or special interest groups	−0.16	†	−0.29	*	0.45	***	12.16	**
Country	United States	−0.12		0.48	*	−0.35	†	4.53	
Industry	Food industry	0.24		−0.59		0.35		0.82	
	Pharmaceutical industry	0.42		−0.36		−0.06		0.90	
	Energy industry	0.33		−0.44		0.11		0.64	
Number of observations	402								
McFadden R^2	0.09								
Log-likelihood	−332.820								

†Significant at $p < 0.10$.

*Significant at $p < 0.05$.

**Significant at $p < 0.01$.

membership. This did not yield any significant results. To check if managers at different levels choose different projects, we estimated a conditional logit model, in which we interacted management level with the attribute levels. The only significant choice difference between management levels was that executives were slightly more likely to choose a project with positive health benefits, compared with upper- or middle-level managers. However, this effect was only significant at the 5% level. As we do not have any theoretical reason to expect differences between management levels and their valuation of public health, we decided not to explore this effect further. The lack of differences between management levels shows that the sometimes deviant role displayed by middle-managers (Carrington et al., 2018) did not influence their role as informant of the firm. Also, executives might be aware of the initiatives displayed by middle-level managers and the influence it has on corporate policy (Argento et al., 2018; Powell, 2017).

5.1 | General model observations

In general, we observed that firms are not influenced by whether or not a cost is recurring, as long as they get a positive return on investment and avoid a negative return. This is in line with earlier findings about CSR decisions (Hockerts, 2015). Further, the respondents want positive effects on the environment, health, customer satisfaction, and employee well-being, and they do not want negative effects for any of these attributes. Of these attributes, they value the environment the most, and they tend to avoid options that are uncertain regarding this matter. The attributes related to institutions and stakeholders are not significant. This shows that when making a choice, expected outcomes are more important than external pressure.

However, the MNL model will show that, in general, firms are sensitive to external pressure; it is just not reflected at the level of choice of individual CSR activities.

Only one attribute—*cost*—yielded different estimates per class.[1] Class 3 appears indifferent to cost, Class 1 opts for activities with slightly lower costs, and Class 2 opts for activities with much lower costs.

Table 4 shows the results of the MNL regression model predicting class membership. This model has a McFadden R^2 of 0.09, which is a reasonable fit (note that it is not a choice model). The Wald χ^2 shows that even though media or special interest groups were perceived to be the least influential stakeholders, they do discriminate best between the classes. There were no significant effects of industry type, which confirms our expectations that large basic needs firms have similar considerations when it comes to making choices about CSR. Using the information from the latent class model and the multinomial regression model, we characterize each latent class below.

5.2 | Class 1: Internal minded—62.9% of respondents

The firms in Class 1 elect to spend slightly less on CSR activities than those in Class 3 but significantly more than those in Class 2. The MNL shows that, at the firm level, class members are more sensitive to pressure from stakeholders who are directly affected by the firm, such as shareholders and communities (significant at the 10% level). They are less sensitive to pressure from stakeholders who are not directly

[1]The ASC was also dependent on class, showing that Classes 2 and 3 were more likely to choose the left-hand option. The ASC is not an attribute, but the model controls for this effect.

affected by CSR, such as suppliers, media, and special interest groups. As such, we term this class the *internal minded*.

The fact that these firms are sensitive to profit-driven shareholders and less sensitive to societal pressure from the media and special interest groups may explain why they are willing to spend a little less on CSR.

5.3 | Class 2: Cost-oriented Americans—20.1% of respondents

The firms in this class elect to spend the least on CSR initiatives. The MNL model also shows that they have lower CSR budgets, which explains this preference. The firms in this class are more likely to be based in the United States and claim to be the least sensitive to pressure from normative institutions, as well as from media and special interest groups. This suggests that they are the least driven by the opinion of their peers or the public in relation to CSR. This can be explained by the fact that the shareholders in the United States are less engaged, have less of a public interest, and are more dispersed than those in the United Kingdom, which gives U.S. firms a more independent position (Aguilera et al., 2006). U.S. firms are also more at risk of a hostile takeover, which might disincentivize them to spend money on CSR activities at the expense of profits. As such, we term this class the *cost-oriented Americans*.

5.4 | Class 3: External-oriented high rollers—16.9% of respondents

The firms in this class are willing to spend the most on CSR initiatives. The MNL model shows that these firms are slightly more likely to be from the United Kingdom (significant at the 10% level). Of all the classes, these firms are the most sensitive to pressure from normative institutions (significant at the 10% level) and media or special interest groups. They are the least sensitive to pressure from cultural-cognitive institutions and shareholders (significant at the 10% level). These findings show that internal pressure, such as routines, habits, or the opinions of shareholders, are not as relevant to these firms as external pressure, such as their image among peers and, particularly, the public. When it comes to explaining differences in CSR activities between the United States and the United Kingdom, shareholder pressure appears less important than pressure from actors outside the firm, which nuances the model by Aguilera et al. (2006). However, as the size of this effect is limited, we should not overstate its importance overall. As these firms seem willing to invest in CSR to maintain or improve their image, we call this class the *external-oriented high rollers*.

6 | CONCLUSION AND DISCUSSION

This study posed the research question, *How do the outcomes and pressures for a CSR activity influence the choice of that particular activity by different classes of basic needs industry firms?* We found that the choice of an activity is primarily influenced by the expected outcomes of the activity, rather than external pressure from stakeholders and institutions. Moreover, firms differ in regard to how much money they are willing to invest in an activity. Heterogeneity with respect to willingness to invest in CSR activities can largely be explained by the extent to which these firms are susceptible to pressure from institutions and stakeholders at the firm level, illustrating that CSR is a multilevel phenomenon. Firms feel the pressure of institutions and stakeholders, and this influences their choices regarding CSR and how much they are willing to invest in it.

6.1 | Theoretical implications

The finding that the anticipated costs and outcomes of an activity are more important than pressure from institutions or stakeholders shows that these external pressures are relatively unimportant in choosing to engage in a particular CSR activity. This fits the observation that large firms increasingly emphasize the strategic business aspects of CSR, rather than the interests of societal stakeholders (Aguinis & Glavas, 2014; Bondy et al., 2012; Hockerts, 2015). Our results seem to go against institutional theory, which claims that firms primarily seek legitimacy in order to survive (Oliver, 1991; Suddaby & Greenwood, 2005; Van Mossel et al., 2017; Young & Makhija, 2014). However, our results can be explained from an institutional perspective, as firms, particularly from the United States, also derive legitimacy from operating efficiently (Aguilera et al., 2006), which explains the existence of the cost-oriented Americans class from an institutional perspective. On the other hand, the external-oriented high-rollers class seems to seek legitimacy from external actors, and the internal-minded class seeks legitimacy internally. Overall, this indicates that different firms have different sources of legitimacy.

We also found that the larger a firm's susceptibility to external pressures from media and special interest groups is and the larger the firm-level CSR budget is, the more the firm is willing to spend on CSR projects. This particularly clarifies the role of external stakeholders in the multilevel CSR process (Aguinis & Glavas, 2014; Bondy et al., 2012; Clarkson, 1995). Firms concerned about their image are willing to allocate the most funds to CSR activities. This relationship is especially apparent when we contrast the cost-oriented Americans class with the external-oriented high rollers, whereas the internal-minded class takes a middle position in this regard. The latter class is still willing to invest quite substantially in CSR projects but is driven more by internal pressure than by external stakeholders. This suggests that both internal and external stakeholders can independently pressure a firm to invest in CSR, but it depends on how willing the firm is to negotiate with its stakeholders. The influence of stakeholders on the CSR budget, and how much the firm is willing to invest in CSR activities, must be placed in context. The correlation matrix shows that CSR budget is strongly associated with annual pre-tax earnings, which suggests that profitability is the prime driver of a firm's CSR budget. To further understand heterogeneity among firms, we recommend that future researchers explore why different firms adhere to different sources of legitimacy and how different internal or external pressures affect their willingness to invest in CSR.

Finally, when choosing for particular CSR activities, institutions and stakeholder pressure primarily affect the strategic firm level but

not the manager level. This is in line with the view that CSR policies are formed at the firm level and are implemented by lower levels. We found very few differences in answers between management levels, in line with Graafland and Smid (2016), who found that such decoupling is rare. In fact, it was not to be expected in our study, as our respondents were explicitly asked to answer on behalf of their firm. As having some form of CSR policy was a condition to participate, all management levels were likely aware of the considerations their firm makes regarding CSR (Perrini et al., 2007). Research has shown that even a weak CSR policy substantially reduces decoupling (Graafland & Smid, 2016). The fact that all management levels were consistent in their answers indicates that we avoided any source of bias. However, this result contrasts the literature on decoupling (Argento et al., 2018; Carrington et al., 2018; Crilly et al., 2012). We recommend that future research aims to better understand how and when the behavior of individual managers is coupled to firm policy and on what aspects (attributes) of CSR activities individual managers might depart. To this end, a similar DCE could be employed that compares the responses of middle-level managers with the responses of executives within the same firm. It is important to take the differences between the latent classes into account in such a study. For example, it is possible that middle-level managers in the cost-oriented Americans class are more prone to act as social intrapreneurs (Carrington et al., 2018) than in firms that elect to spend more on CSR.

6.2 | Practical implications

The results of this study have practical implications in the form of policy recommendations. We have found that firms separate themselves in their willingness to spend on CSR. As such, policy measures could focus not only on making CSR initiatives cheaper but also specifically on targeting firms in each of the latent classes based on their characteristics. The internal-minded class is by far the largest and thus the most attractive to target. This class is sensitive to pressure from internal stakeholders, so policy makers can work with large, long-term shareholders such as pension funds to encourage these firms to spend more on CSR. Policy makers can also empower the local communities, in which the firms operate to put pressure on the firms to engage in CSR. Cost-oriented Americans are the least sensitive to institutional and stakeholder pressure, and apart from reducing the costs of CSR, our model does not offer further clues as to how to improve their CSR spending. A possible but costly avenue would be to provide tax incentives on CSR activities, but the additionality of such a measure is highly debatable, as companies that already have a high spend on CSR would also benefit from such a measure. Finally, the external-oriented high rollers are very sensitive to pressure from external stakeholders. Few extra policies are needed for this group, because they already spend the most on CSR.

6.3 | Limitations and future research

This study has three limitations, which can be addressed with future research. First, although we ask for the respondent to reveal his or her choice both inside and outside of a practical context, this remains a stated-preference DCE (as opposed to a revealed-preference DCE, in which a respondent's choice can be observed). This allowed us to assess individual respondents' choice patterns over a number of choice tasks, which is essential for latent class analysis. We are also able to formulate choice tasks based on theoretical expectations, as well as expectations based on previous empirical work, without being bound by the circumstances of real-world situations. The flip side of this benefit is that hypothetical scenarios may not precisely resemble real-world situations and, as such, can lead to bias (Hensher et al., 2005). Basing the DCE design on the literature and previous qualitative work helps to alleviate some of this bias. However, we recommend that future research repeat this experiment using revealed preferences. This can be done by exploring the CSR initiatives that firms have actually implemented.

Second, our results do not apply to all firms but rather to large basic need industries in liberal market economies, in particular in the United States and in the United Kingdom. Still, our results are of great relevance, as these firms represent a large share of the world economy, and we are dependent on them in our daily lives. Our results may not apply to SMEs or to sectors that do not function as utilities.

Finally, DCEs must be clear and succinct enough to keep respondents focused and enable them to answer to the best of their abilities. As a result, researchers must limit the tasks to a digestible number of attributes. On the basis of the existing literature, we included 11 attributes, which is a relatively high number but is within the usual boundaries of other DCEs in the literature. However, the managers in our panel were compensated to fill out the questionnaire seriously, which was also a requirement of the marketing company that supplied the respondents via their B2B panel. With the pseudo R^2 values within normal limits for this type of model (Hensher et al., 2005), we conclude that we have included the most influential attributes, but omitted variable bias is still a possibility. Future studies can focus on the inclusion of other attributes or the expansion of the levels of attributes that we have chosen. Researchers can also look into the effects of consumer pressure under different conditions to arrive at more conclusive findings about consumer's effects on firms.

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APPENDIX A
SCREENING QUESTIONS

We anonymized the vignette for reviewers. Pre-tax earnings (Question 3) were given in local currencies. Ticking an answer with 'TERMINATE' means that the respondents were politely informed that they did not meet the qualification criteria to participate. They did not see the word terminate itself.

Dear Participant,

This is a study from ***[anonymized]*** *about corporate social responsibility (CSR). Before we can begin with the questionnaire, we would like to learn little bit more about you. Please start by answering the following screening questions.*

---

1 Please check all that apply
- ○ The firm that employs me is a food industry firm
- ○ The firm that employs me is part of the food industry supply chain
- ○ The firm that employs me is an energy/utility firm
- ○ The firm that employs me is part of the energy/utility supply chain
- ○ The firm that employs me is a pharmaceutical firm
- ○ The firm that employs me is part of the pharmaceutical supply chain
- ○ None of the above TERMINATE

2 Do you contribute to decision making about sustainability, shared value, corporate social responsibility, or other related initiatives within your firm?
- ○ I have the final say on such decisions
- ○ I contribute to the decision-making process
- ○ None of the above TERMINATE

3 What were your firm's approximate pre-tax earnings in 2014?
- ○ $0–$5 million/£0–£3 million TERMINATE
- ○ $5 million–$10 million/£3–£7 million
- ○ $10 million–$50 million/£7–£30 million
- ○ $50 million–$100 million/£30–£70 million
- ○ $100 million–$500 million/£70–£300 million
- ○ $500 million–$1 billion/£300–£700 million
- ○ $1 billion–$5 billion/£700 million–£3 billion
- ○ $5 billion–$10 billion/£3 billion–£7 billion
- ○ Over $10 billion/over £7 billion

4 In which type(s) of CSR initiatives was the firm that employs you active last year? Please check all that apply.
- ○ Innovation for the greater good
- ○ Education, community involvement, or local initiatives
- ○ Health promotion or disease prevention
- ○ Transparency, responsibility in advertising, or responsible information dissemination
- ○ Reliability, product safety and quality, improved consumer choice
- ○ Creating opportunities for and responding to feedback or market research
- ○ Reducing greenhouse gas emissions
- ○ Resource protection or responsible land use
- ○ Efficiency or efforts to reduce/reuse/recycle
- ○ Compliance with regulations, agreements, or industry standards
- ○ Motivating other firms to behave responsibly
- ○ Keeping costs low
- ○ Increasing revenue or growing as a firm
- ○ Other _____
- ○ My firm does not participate in any activities resembling CSR TERMINATE

APPENDIX B
OPENING VIGNETTE OF THE CHOICE EXPERIMENT

We anonymized the vignette for reviewers.

Dear Participant,
*This is a study by **[anonymized]** about corporate social responsibility (CSR). Corporate social responsibility has become a buzz word in many industries and some firms consider themselves on the front lines in a myriad of societal battles. However, beyond speculation, it is unclear what motivates these behaviors. With this study, we aim to find out which circumstances act as motivators in driving specific CSR behaviors.*
In this way, we gain insight into the choices that firms have to make when they select to undertake or not undertake a CSR initiative, helping us to understand some of the successes and barriers to CSR. With this in mind, we ask you to fill out this questionnaire as honestly and accurately as possible.
*The survey is divided into two parts. The first part consists of a series of choice tasks, in which you are asked **to state which CSR initiative (out of two) your firm is likely to choose over the other, and which of the two initiatives (if any) your firm might actually do in a real life setting**. In the second part, we ask you to **answer a few questions about yourself and your firm**.*
*Completing the questionnaire will take approximately 15 minutes. Please do not skip any questions and answer all questions honestly and as accurately as possible – there are no right or wrong answers! Your data will be treated with the strictest of confidence and evaluated anonymously. The data will only be used for scientific purposes. The study is funded by **[anonymized]**. Thank you for your participation!*
*On behalf of **[anonymized]**,*
[anonymized]

APPENDIX C
MEASUREMENT OF OBSERVED CHARACTERISTICS

General information

At what level of management does your job title operate?

- ○ Executive
- ○ Upper-level management
- ○ Middle-level management

What is your age?

- ○ 18–25 years
- ○ 25–35 years
- ○ 35–45 years
- ○ 45–55 years
- ○ 55–65 years
- ○ 65 years

What is your gender?

- ○ Female
- ○ Male
- ○ Other

How long (in years) have you been with your current firm?

- ○ <1 year
- ○ 1–5 years
- ○ 5–10 years
- ○ 10–20 years
- ○ 20–30 years
- ○ 30–40 years
- ○ 40 years

CSR budget

Please estimate your firm's annual CSR budget:

- ○ $0–$1 million
- ○ $1 million–$5 million
- ○ $10–$50 million
- ○ $50–$100 million
- ○ $100–$500 million
- ○ $500–$1 billion
- ○ Over $1 billion
- ○ I have no idea

Institutions

Institutional pillar	Please answer the following questions about your firm's response to pressures to change, in the context of CSR	Strongly disagree———strongly agree				
		1	2	3	4	5
Regulative	My firm actively lobbies against impending legislation that our leaders perceive to be unfair or unreasonable	□	□	□	□	□
Regulative	My firm is quick to respond to legislation once it is in effect	□	□	□	□	□
Normative	My firm participates in industry-wide agreements and voluntary certifications	□	□	□	□	□
Cultural-cognitive	My firm keeps an eye on what other firms in the industry are doing	□	□	□	□	□
Cultural-cognitive	My firm is quick to adapt to what other firms in the industry are doing	□	□	□	□	□

Stakeholder influence

Please rate the following stakeholders based on their influence on your firm's current CSR behavior	Not influential————————very influential				
	1	2	3	4	5
Shareholders	□	□	□	□	□
Customers	□	□	□	□	□
Suppliers	□	□	□	□	□
Governments (at any level)	□	□	□	□	□
Communities in which the firm operates	□	□	□	□	□
Media or special interest groups	□	□	□	□	□